

DEMOCRACY IN EASTERN EUROPE ACT OF 1989

JUNE 20, 1989.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ROSTENKOWSKI, from the Committee on Ways and Means,
submitted the following

REPORT

[To accompany H.R. 2550 which on June 6, 1989, was referred jointly to the Committee on Foreign Affairs and the Committee on Ways and Means]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 2550) to provide for certain forms of assistance to Poland and Hungary to encourage the process of democratic reforms in those countries, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE AND SUMMARY

H.R. 2550 is a positive response to the profound political, economic, and social change underway in Eastern Europe, specifically Poland and Hungary, where the reform process is most advanced. The genesis of the Administration proposals and the additional measures included in H.R. 2550 for these two countries is to acknowledge the important progress that has been made and to provide a program of support for continued reform.

H.R. 2550, as introduced and ordered reported by the Committee on Ways and Means, contains the following provisions:

Section 1. Short title

Section 1 cites the Act as the "Democracy in Eastern Europe Act of 1989".

Section 2. Eligibility of Poland for Generalized System of Preferences

Section 2 removes Poland from the statutory list of countries excluded from designation as beneficiaries of duty-free treatment under the Generalized System of Preferences (GSP).

Section 3. Overseas Private Investment Corporation

Section 3 authorizes the Overseas Private Investment Corporation (OPIC) to operate programs in Poland and Hungary, and mandates OPIC to support projects in those two countries which will result in enhancement of the nongovernmental sector and reduction of state involvement in the economy.

Section 4. Science and technology exchange

Section 4 authorizes appropriations of \$1,500,000 for fiscal year 1990 and \$1,560,000 for fiscal year 1991 to the Secretary of State to continue to implement the 1987 U.S.-Polish science and technology agreement.

Section 5. Medical supplies and hospital equipment and training of medical personnel for Poland

Section 5 authorizes additional appropriations of \$2,000,000 for each of fiscal years 1990 and 1991 for providing medical supplies and hospital equipment to Poland through private and voluntary organizations and for training of Polish medical personnel.

Section 6. Assistance in support of democracy in Poland and Hungary

Section 6 authorizes additional appropriations of \$2,000,000 for each of fiscal years 1990 and 1991 for the unconditional support of democratic institutions and activities in Poland and Hungary.

Section 7. Educational and cultural exchange

Section 7 expresses the sense of the Congress that the President should encourage privately administered educational and cultural exchanges between the United States and Poland and the United States and Hungary and consider the establishment of reciprocal cultural centers.

COMMITTEE ACTION

While H.R. 2356 and H.R. 2550 were jointly referred to the Committee on Ways and Means and the Committee on Foreign Affairs, the Committee on Ways and Means considered section 2 of both bills, the only provision within its direct jurisdiction.

On June 12, 1989, the Subcommittee on Trade held a public hearing on H.R. 2356, introduced on May 16 at the request of the Administration, in support of the people and nation of Poland, and to amend the Trade Act of 1974 and the Foreign Assistance Act of 1961. The Subcommittee received testimony from the Administration and a trade association representing importers and exporters in support of section 2, removing Poland from the statutory list of countries ineligible for designation as beneficiaries of duty-free treatment under the Generalized System of Preferences.

H.R. 2550 was introduced on June 6, subsequent to the press release announcing the Subcommittee hearing on H.R. 2356. However, section 2 of both bills, concerning the eligibility of Poland for GSP benefits, is identical. Since the Committee on Foreign Affairs had already ordered H.R. 2550 favorably reported to the House on June 7 as a substitute for H.R. 2356, the Subcommittee considered H.R. 2550 rather than H.R. 2356 in markup session. On June 14, the Subcommittee on Trade ordered H.R. 2550 favorably reported to the full Committee by voice vote with no amendments.

On June 20, the Committee on Ways and Means ordered H.R. 2550 favorably reported to the House by voice vote with no amendments.

SECTION-BY-SECTION ANALYSIS, JUSTIFICATION, AND COMPARISON WITH PRESENT LAW

The only provision of H.R. 2550 within the direct jurisdiction of the Committee on Ways and Means is the removal of Poland from the statutory list of countries ineligible for GSP benefits under section 2. The bill as amended and ordered reported by the Committee on Foreign Affairs did not contain any other provisions within the direct jurisdiction of the Committee on Ways and Means. Consequently, this report relates only to section 2 of H.R. 2550, as ordered reported by the Committee.

SECTION 2. ELIGIBILITY OF POLAND FOR GENERALIZED SYSTEM OF PREFERENCES

Present law

Title V of the Trade Act of 1974, as amended, authorizes the President to designate developing countries as beneficiaries of duty-free treatment on imports of their products that are designated by the President as eligible articles under the Generalized System of Preferences. Section 502(b) of the Act prohibits the President from designating a specific list of countries as GSP beneficiaries. Poland is one of the countries on this statutory exclusion list.

Removal of a country from the statutory exclusion list does not automatically confer GSP beneficiary status. Section 502(b) also prohibits the President from designating countries that meet certain statutory criteria, some of which may be waived in the U.S. national economic interest. For example, the President cannot designate any communist country, unless its products receive most-favored-nation (MFN) treatment, it is a Contracting Party to the General Agreement on Tariffs and Trade (GATT) and a member of the International Monetary Fund (IMF), and it is not dominated or controlled by international communism. Section 502(c) of the Act also requires the President to take into account a statutory list of factors in designating any beneficiary developing country. Finally section 502(a) requires the President to give advance notice to the Congress of his intention to designate any country as a GSP beneficiary and the considerations entering into his decision.

Explanation of provision

Section 2 of H.R. 2550 amends section 502(b) of the Trade Act of 1974 to remove Poland from the statutory list of countries prohibit-

ed from designation for GSP benefits, effective on date of enactment. Section 2 does not amend any of the criteria under present law that the President must determine are met or take into account before designating Poland as a GSP beneficiary developing country.

Reasons for change

Section 2 was proposed by the Administration as part of a larger legislative effort to formulate a positive and useful response to the dramatic developments in Poland of recent months. There is also considerable support for removing Poland from the GSP exclusion list in the Congress and in the private sector business community.

The GSP program was designed to provide special preferential duty-free access to the U.S. market for developing countries as a economic development tool. The purpose of including the exclusion list in the statute in 1974 was to ensure that the President did not designate any countries for such preferential treatment that were considered at the time to be already developed. Since 1974, only Hungary has been removed from the list. As in the case of Hungary, Poland's per capita gross national product (GNP) of \$2,070 in 1986 and \$1,920 in 1987 is less than the per capita GNP of a number of other beneficiary developing countries under the GSP program. Poland's per capita GNP is also well below the statutory ceiling of \$8,500, indexed upward to \$9,001 in 1986 and \$9,728 in 1988, above which countries cannot be granted GSP beneficiary treatment. While per capita GNP is not necessarily an adequate or the sole measure of development level, the Committee does believe that economic circumstances in Poland generally warrant deletion from the statutory GSP exclusion list.

U.S. imports from Poland totaled about \$370 million in 1988. If Poland had received GSP beneficiary status in 1988, total GSP imports from that country of products eligible for duty-free treatment would have totaled about \$73.2 million and U.S. customs duties foregone would have amounted to \$3.5 million. The Committee notes that Poland is a member of both the GATT and the IMF and currently receives MFN treatment on its exports to the United States.

However, the Committee expects the President to apply all of the standards set forth in the GSP statute in determining whether, in fact, Poland merits designation as a beneficiary developing country. Among these statutory conditions is whether the country has taken or is taking steps to grant its workers internationally-recognized worker rights. The possible designation of Poland as a developing country for purpose of GSP benefits also does not necessarily mean that it should be regarded as a developing country in other contexts.

VOTE OF THE COMMITTEE IN REPORTING THE BILL

In compliance with clause 2(1)(2)(B) of rule XI of the Rules of the House of Representatives, the following statement is made relative to the vote of the Committee in reporting the bill: H.R. 2550 was ordered favorably reported by the Committee on Ways and Means by voice vote.

OVERSIGHT FINDINGS

In compliance with clause 2(1)(3)(A) of rule XI of the Rules of the House of Representatives relating to oversight findings, the Committee has concluded from the public hearing record of the Subcommittee on Trade and review of the situation in Poland that the legislative initiatives in H.R. 2550 are warranted.

With respect to clause 2(1)(3)(D) of rule XI on the Rules of the House of Representatives, no oversight findings or recommendations have been submitted to the Committee by the Committee on Government Operations with respect to the subject matter contained in the bill.

BUDGET AUTHORITY AND COST ESTIMATES, INCLUDING ESTIMATES OF THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 7(a) of rule XIII and with clause 2(1)(3)(B) of rule XI of the Rules of the House of Representatives, the Committee states that H.R. 2550 does not provide any new budget authority or any new or increased tax expenditures. The Committee also states that there are not tax expenditures or new budgetary authority providing financial assistance to States and local governments in the bill.

In compliance with clause 7(a) of rule XIII and with clauses 2(1)(3)(B) and (C) of rule XI of the Rules of the House of Representatives, the Committee agrees with the cost estimates furnished by the Congressional Budget Office on H.R. 2550 and required to be included herein:

INFLATIONARY IMPACT

With respect to clause 2(1)(4) of rule XI of the Rules of the House of Representatives, the Committee states that H.R. 2550 would not have an inflationary impact on prices and costs in the operation of the general economy.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, June 20, 1989.

Hon. DAN ROSTENKOWSKI,
*Chairman, Committee on Ways and Means,
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the attached cost estimate on H.R. 2550, the Democracy in Eastern Europe Act of 1989, as ordered reported by the House Committee on Ways and Means on June 20, 1989.

Should the Committee so desire, we would be pleased to provide further details.

Sincerely,

ROBERT D. REISCHAUER,
Director.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

1. Bill number: H.R. 2550.
2. Bill title: Democracy in Eastern Europe Act of 1989.

3. Bill status: As ordered reported by the House Committee on Ways and Means on June 20, 1989.

4. Bill purpose: The bill authorizes appropriations for assistance to Hungary and Poland to support democratic institutions in those countries, for medical assistance to Poland, and for implementation of a science and technology agreement. It also makes Poland eligible for the generalized system of preferences.

5. Estimated cost to the Federal Government:

[By fiscal years, in millions of dollars]

	1990	1991	1992	1993	1994
Authorized level.....	5.5	5.6			
Estimated outlays.....	3.7	4.3	1.1	0.8	0.5

6. Estimated cost to State, and local governments: None.

7. Estimate comparison: None.

8. Previous CBO cost estimate: CBO has also prepared a cost estimate on H.R. 2550, as ordered by the House Committee on Foreign Affairs on June 7, 1989. Because the Ways and Means Committee bill is identical to the Foreign Affairs Committee bill, the cost estimates are the same.

9. Estimate prepared by: Kent Christensen and Mark Booth.

10. Estimate approved by: C.D. Nuckols (for James L. Blum, Assistant Director for Budget Analysis).

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is to enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

SECTION 502 OF THE TRADE ACT OF 1974

SEC. 502. BENEFICIARY DEVELOPING COUNTRY.

(a) * * *

(b) No designation shall be made under this section with respect to any of the following:

Australia	Japan
Austria	Monaco
Canada	New Zealand
Czechoslovakia	Norway
European Economic Community member states	[Poland]
Finland	Republic of South Africa
Germany (East)	Sweden
Iceland	Switzerland
	Union of Soviet Socialist Republics

In addition, the President shall not designate any country a beneficiary developing country under this section—

(1) * * *

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SECTION 239 OF THE FOREIGN ASSISTANCE ACT OF 1961

SEC. 239. GENERAL PROVISIONS AND POWERS.—(a) * * *

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(f) Except for the provisions of this title, no other provision of this or any other law shall be construed to prohibit the operation in Yugoslavia, *Poland*, *Hungary*, or the People's Republic of China of the programs authorized by this title, if the President determines that the operation of such program in such country is important to the national interest.

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